

# SENATE BILL REPORT

## SB 5024

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As Reported by Senate Committee On:  
Judiciary, January 27, 2009

**Title:** An act relating to notices of dishonor.

**Brief Description:** Concerning notices of dishonor.

**Sponsors:** Senators Kline, McCaslin, Carrell and Roach.

**Brief History:**

**Committee Activity:** Judiciary: 1/21/09, 1/27/09 [DP].

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### SENATE COMMITTEE ON JUDICIARY

**Majority Report:** Do pass.

Signed by Senators Kline, Chair; Regala, Vice Chair; McCaslin, Ranking Minority Member; Carrell, Hargrove, Kohl-Welles, Roach and Tom.

**Staff:** Lidia Mori (786-7755)

**Background:** Federal and state laws govern collection agencies. Under the Federal Fair Debt Collection Practices Act, a debtor has 30 days to dispute a debt from the date that person receives the notice of collection. The collection agency may not take certain action within that 30 day period.

Under state law, a collection agency sends a debtor a notice of dishonor. A debtor has 33 days from the date the notice is postmarked or personally delivered before the debtor becomes liable for certain costs and fees and before the collection agency may take court action to collect the debt. If court action is taken, the debtor is also liable for reasonable attorneys' fees plus three times the face amount of the check or \$300, whichever is less.

The notice of dishonor must be in a form prescribed in the statutes. The notice to the debtor specifies fees and costs that may be added and a cautionary statement about other consequences that might occur if the amount is not paid.

**Summary of Bill:** The debtor is presumed to have received the notice of dishonor three days from the date the notice is mailed. A statement is added to the notice of dishonor form informing the debtor the amount the debtor may be liable for if court action is taken, is

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advisory only, and should not be construed to mean that legal action is contemplated or intended.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill ensures that state law does not conflict with federal law. The federal law forbids any threats to take action. The cautionary notice language in the bill is good because it warns the debtor that court action is possible but it makes it clear that it is only a possibility. There is self interest on the part of the collectors to get an address for the debtor that is correct because otherwise, there can't be any collection.

**Persons Testifying:** PRO: Kevin Underwood, Greg Luhn, WA Collectors Association.